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Mexico

Poultry and Products

Semi Annual

2004

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Report Highlights:
Chicken meat production and consumption for MY 2004 are forecast higher as producers are expected to produce and market more poultry meat due to Mexico's ban on imports of U.S. beef following the detection of Bovine Spongiform Encephalopathy in the United States. Chicken prices are expected to increase, but continue to be cheaper than beef. Chicken imports remain unchanged for MY 2004, while imports of turkey parts for further processing are expected to increase. The safeguard agreement on chicken leg quarters has been working as expected. However, months after the conclusion of successful control programs, Mexico continues to maintain restrictions on certain U.S. states due to the earlier detection of Low Pathogenic Avian Influenza and Exotic New Castle Disease.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Mexico [MX1]
[MX]

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SECTION I. Situation and Outlook

Poultry Situation and Outlook

Mexican chicken meat production for MY 2004 (Jan-Dec) was revised upward as producers are expected to produce and market more poultry meat due to the detection of Bovine Spongiform Encephalopathy (BSE) in the State of Washington and Mexico's subsequent ban on U.S. beef imports as of December 24, 2003. For MY 2004, the trend toward vertical integration and implementation of cutting-edge technology among producers that has characterized recent years continues. Chicken consumption is also forecast higher as beef consumers are expected to switch to cheaper chicken meat in the face of higher beef prices. Shifts to pork, turkey, and dry beans are also expected. No increase in chicken imports is expected as the safeguard agreement on chicken leg quarters (CLQs) is expected to maintain the additional protection for the industry as requested by domestic producers. Turkey meat production forecast remains unchanged for MY 2004.

Chicken and turkey meat imports, mainly mechanically deboned meat (MDM) and turkey parts for use in the sausage and cold meat industry, are by far the main poultry products imported by Mexico. Imports of these products for MY 2004 will remain strong as demand for MDM from Mexico's food and meat processors continues.

Economic growth and investment in the poultry industry are expected to continue in MY 2004 as consumer demand for value-added poultry products continues to grow and prices are likely to rise in response to the BSE beef ban.

SECTION II. Statistical Tables

Poultry Meat, Chicken-16 weeks

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Broiler			(1000 MT)(MIL HEAD)		
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	2157	2157	2297	2297	2412	2458
Whole, Imports	0	0	0	0	0	0
Parts, Imports	265	254	278	282	293	293
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	265	254	278	282	293	293
TOTAL SUPPLY	2422	2411	2575	2579	2705	2751
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	1	1	1	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	1	0	1	1	1	1
Human Consumption	2421	2411	2574	2578	2704	2750
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2421	2411	2574	2578	2704	2750
TOTAL Use	2422	2411	2575	2579	2705	2721
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2422	2411	2575	2579	2705	2751
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Poultry Meat, Turkey

PSD Table						
Country	Mexico					
Commodity	Poultry, Meat, Turkey			(1000 MT)(MIL HEAD)		
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	13	13	14	14	14	14
Whole, Imports	0	0	0	0	0	0
Parts, Imports	147	145	155	154	163	170
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	147	145	155	154	163	170
TOTAL SUPPLY	160	158	169	168	177	184
Whole, Exports	6	6	5	5	5	5
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	6	6	5	5	5	5
Human Consumption	154	152	164	163	172	179
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	154	152	164	163	172	179
TOTAL Use	160	158	169	168	177	184
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	160	158	169	168	177	184
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Broilers Retail Prices

Broilers Retail Price				PESOS/KILOGRAM
Month	**2001**	**2002**	**2003**	**% Change 02/03**
January	18.00	18.06	18.31	1.38
February	18.83	16.12	18.73	16.19
March	17.97	15.08	18.60	23.34
April	18.54	16.98	18.42	8.48
May	19.10	17.92	18.47	3.07
June	18.47	18.54	18.24	(1.62)
July	17.30	18.25	18.10	(0.82)
August	16.93	17.93	18.06	0.73
September	15.86	17.59	18.50	5.17
October	18.50	17.70	17.87	0.96
November	17.80	17.74	N/A	N/A
December	17.40	18.19	N/A	N/A
Annual Avg.	17.89	17.51	18.33*	4.68*

SOURCE: NATIONAL POULTRY ASSOCIATION, UNA.
*FIGURES AS OF OCTOBER 31, 2003

Broilers Wet Market Prices

BROILERS[A] WET MARKET PRICES				PESOS/KILOGRAM
Month	**2001**	**2002**	**2003**	**% Change 02/03**
January	18.38	18.00	20.70	15.00
February	17.75	17.50	21.00	20.00
March	18.13	18.17	21.20	16.68
April	19.80	19.75	21.00	6.33
May	22.14	20.30	21.67	6.75
June	18.75	20.25	22.17	9.48
July	17.50	19.92	22.36	12.25
August	19.13	20.71	21.60	4.30
September	18.00	20.00	22.50	12.50
October	16.50	20.20	16.50	(18.32)
November	17.80	20.13	N/A	N/A
December	18.50	20.90	N/A	N/A
Annual Avg.	18.84	19.70	20.07*	1.88*
[A] Whole chicken including offal				

SOURCE: NATIONAL POULTRY ASSOCIATION, UNA.
*FIGURES AS OF OCTOBER 31, 2003

Leg Quarter Retail Prices

LEG QUARTER WHOLESALE PRICES				Pesos/kilogram
Month	2001	2002	2003	% Change 02/03
January	19.95	17.14	18.43	7.53
February	16.72	15.92	21.00	31.91
March	17.44	17.69	21.05	18.99
April	19.38	17.82	21.25	19.25
May	24.33	18.35	20.40	11.17
June	22.71	19.78	21.95	10.97
July	22.07	19.33	20.30	5.02
August	17.50	18.69	17.76	(4.98)
September	16.47	18.96	15.88	(16.24)
October	16.99	18.00	15.65	(13.06)
November	16.95	18.30	15.70	(14.21)
December	17.19	18.91	17.10	(9.57)
Annual Avg.	18.97	18.24	18.87	3.45

SOURCE: NATIONAL INFORMATION MARKET SERVICE, SNIIM – SE MEXICO – JANUARY 2004

Beef Carcass Wholesale Prices

BEEF CARCASS WHOLESALE PRICES			Pesos/kilogram
Month	2002	2003	Change %
January	24.58	24.04	(2.20)
February	24.72	24.18	(2.18)
March	24.83	24.30	(2.13)
April	24.68	24.19	(1.99)
May	24.29	24.10	(0.78)
June	24.27	24.11	(0.66)
July	24.24	24.02	(0.91)
August	24.15	24.11	(0.17)
September	24.13	24.08	(0.21)
October	24.17	24.17	0.0
November	24.06	24.91	3.53
December	24.04	25.48	5.99
Annual Avg.	24.34	24.30	(0.16)

SOURCE: NATIONAL MARKET INFORMATION SERVICE (SNIM) AS OF JANUARY 16, 2004.

MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS Jan–Oct 2003

H.S. Tariff Number	Description & Country of Origin	Volume MT
0105.11.01	Day old chicks, which do not need feeding during transport	
	U.S.	1,420
	EL SALVADOR	87
	OTHER	121
	SUBTOTAL (Thousand head)	1,628
0105.11.02	Breeding stock, layer-type with selected breed certificate when imports are no more of 15,000 heads in each operation	
	U.S.	420
	NETHERLANDS	13
	OTHER	11
	SUBTOTAL (Thousand head)	444
0105.11.99	Other	
	U.S. and subtotal	0
0105.19.99	Other (Chickens)	
	U.S.	3
	OTHER	32
	SUBTOTAL (Thousand head)	35
0207.11.01	Other fresh or chilled whole poultry	
	U.S. and subtotal	3,272
0207.12.01	Other frozen whole poultry	
	U.S.	276
	OTHER	0
	SUBTOTAL	276
0207.25.01	Whole frozen turkey	
	U.S.	1,156
	CHILE	87
	OTHER	0
	SUBTOTAL	1,243
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S.	439
	OTHER	267
	SUBTOTAL	706
0207.26.01	Mechanically deboned turkey meat	
	U.S. and subtotal	1,633
0207.26.99	Fresh & chilled turkey parts	
	U.S.	69,896
	Other	0

H.S. Tariff Number	Description & Country of Origin	Volume MT
	SUBTOTAL	69,896
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. and subtotal	65,205
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	36,644
	CHILE	998
	SUBTOTAL	37,642
0207.13.99	Fresh & chilled chicken parts	
	U.S. and subtotal	1,750
0207.14.99	Frozen poultry parts	
	U.S.	59,914
	OTHER	165
	SUBTOTAL	60,079
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	13,206
	OTHER	106
	SUBTOTAL	13,312
0207.27.99	Frozen turkey parts	
	U.S.	34,803
	OTHER	36
	SUBTOTAL	34,839
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S.	21
	SUBTOTAL	25
0207.14.02 & 0207.36.01	Poultry livers	
	U.S.	0
	CANADA	2
	SUBTOTAL	2
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S.	17
	OTHER	0
	SUBTOTAL	17
1602.31.01	Processed meat (Turkey)	
	U.S.	1,565
	OTHER	78
	SUBTOTAL	1,643
1602.32.01	Prepared or preserved chicken meat or offal	
	U.S.	4,133

H.S. Tariff Number	Description & Country of Origin	Volume MT
	OTHER	339
	SUBTOTAL	4,472
1602.39.99	Other processed poultry meat	
	U.S.	1
	OTHER	10
	SUBTOTAL	11
0207.13.02	Chicken carcasses	
	U.S.	15,706
	OTHER	0
	SUBTOTAL	15,706
0207.14.03	Chicken carcasses	
	U.S.	0
	OTHER	0
	SUBTOTAL	0
0207.26.02	Turkey carcasses	
	U.S.	0
	OTHER	0
	SUBTOTAL	0
0207.27.03	Turkey carcasses	
	U.S.	0
	OTHER	0
	SUBTOTAL	0
0207.13.03	Chicken Leg Quarter, Fresh/chilled	
This line will apply for 2003	U.S.	24,479
	OTHER	0
	SUBTOTAL	24,479
0207.14.04	Chicken Leg Quarter, Frozen	
This line will apply for 2003	U.S.	63,202
	OTHER	0
	SUBTOTAL	63,202

Per Capita Consumption

PER CAPITA CONSUMPTION				
Products / pounds-	**2000**	**2001**	**2002**	**2003①**
EGGS	43.87	44.50	44.54	44.76
CHICKEN MEAT	43.87	45.97	47.80	49.30
TURKEY MEAT②	3.57	4.18	4.29	4.41

Source: UNA (National Poultry Association)
① Forecast
② Includes whole turkey, turkey parts and processed products.

Monthly Exchange Rate

MONTHLY EXCHANGE RATE AVERAGES			
	2001	**2002**	**2003**
January	9.76	9.16	10.59
February	9.70	9.10	10.93
March	9.60	9.07	10.92
April	9.33	9.14	10.61
May	9.14	9.49	10.25
June	9.09	9.75	10.49
July	9.15	9.79	10.44
August	9.12	9.83	10.75
September	9.40	10.05	10.92
October	9.45	10.09	11.17
November	9.25	10.19	11.12
December	9.16	10.21	11.25
Annual Avg.	**9.35**	**9.82**	10.79
Source: Mexican Federal Register Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.			

SECTION III. Narrative on Supply and Demand, Policy & Marketing

CHICKEN MEAT

PRODUCTION

Mexican chicken meat production for MY 2004 (Jan-Dec) is forecast higher as producers are expected to produce more meat in response to Mexico's ban on U.S. beef imports effective December 24, 2003, following the detection of BSE in Washington State. The chicken meat production estimates for MY 2003 and MY 2002 remain unchanged. Effective marketing campaigns, strong financial positions among chicken processors, and continued improvement in product quality should all help to spur production.

In 2003, domestic producers indicated that the bird grow-out period was extended up to 56 days in some cases, as there was concern about how the timing and procedures for the final safeguard implementation would affect supplies. The average daily gain is 36-44 grams per bird and the average bird weight when marketed is 1.8 kg, but in 2003 average bird market weight increased to 1.92 kg.

Feed costs account for nearly 55-60 percent of the total cost of production. Increased vertical integration in the industry helps to lower production costs. In MY 2003, imported yellow corn averaged $1,500 pesos/MT (US$139.00/MT) while domestic sorghum prices increased from $1,500 to $1,700 pesos/MT (US$139.00 to $157.55/MT).

Domestic poultry producers continue to expand their use of cutting-edge technology. About 80 percent of total Mexican chicken meat is produced in large vertically integrated companies. Reportedly, industry consolidation and investment in infrastructure are expected to continue in the medium term and it is expected that the expansion of large vertically integrated companies will continue through growing investment in large-scale production operations.

CONSUMPTION

Chicken meat consumption for MY 2004 was revised upward reflecting an expected increase in poultry meat consumption because of the ban on U.S. beef imports. Consumption of pork, turkey, and dry beans is also expected to increase in response to the ban. Chicken prices are expected to rise along with beef prices while maintaining a discount to beef, leaving chicken as the cheapest meat alternative to beef. Domestic consumption estimates for MY 2003 were revised slightly upward compared to previous estimates due to increased demand from the processing industry.

Mexican consumers typically prefer chicken dark meat to white meat, however, medium and high-income consumers appear to be starting a trend towards a preference for white meat. If this trend continues, it could alter price and industry marketing patterns in Mexico. During 2003, wholesale average prices in Mexico City for whole chicken breasts were $29.60 pesos/kg (US$2.75/kg) and for broilers about $13.36 pesos/kg (US$1.24/kg). Wholesale prices for domestic CLQs were about $19.00 pesos/Kg (US$1.75/kg) while imported CLQs marketed at the border were on average $8.95 pesos/kg (US$0.83/kg).

Consumption estimates for MY 2002 were revised downward based on industry information and official trade data.

TRADE

Chicken and turkey meat are the primary poultry products imported by Mexico. Forecast imports of chicken cuts and mechanically deboned meat (MDM) for MY 2004 remain unchanged. UNA indicated that for MY 2004, the balance between chicken cuts and MDM could change favoring imports of chicken cuts over MDM, as the industry is seeking to shift some of the de-boning process to Mexico by importing more cuts in an effort to gain control over MDM production and improve the quality of value-added products. In general, Mexican processors continue importing MDM as an input for the domestic sausage and cold-cuts industries.

For MY 2003, imports of chicken cuts were revised upward due to increased demand for MDM from Mexico's meat and food processors. MY 2002 chicken cuts imports were revised downward based on recent official data.

As reported in MX3099 a final safeguard was imposed on U.S. chicken leg quarters in July 2003. This safeguard will be in place for 5 years and the tariff will be phased down to zero in 2008. According to Mexican trade data, imported CLQs under H.T.S. 0207.13.03 & 0207.14.04 are 87,681 MT, as of October 2003. The TRQ's for 2004 were announced in December 2003 as reported in MX3168. The tariff phase down schedule and the 1 percent increase of the TRQ per year for CLQs are shown in the following table.

YEAR	TRQ (MT)	TARIFF	HIGH-TIER TARIFF
2003	100,000	0	98.8
2004	101,000	0	79.0
2005	102,010	0	59.3
2006	103,030	0	39.5
2007	104,060	0	19.8
2008	0	0	0

Mexico will allow any imports of U.S. CLQs in excess of the duty free TRQ quantities established in the agreement to enter and be sold throughout Mexico at the high-tier tariff. Effective January 1, 2008, Mexico will provide full duty free access and eliminate the import license requirements for U.S. CLQs. (See MX3099 & MX3168)

On September 9, 2003, the Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA) cancelled the Exotic Newcastle Disease (END) ban on the five buffer states of Oregon, Idaho, Utah, Colorado and New Mexico. The announcement indicated that the epidemiological activities to control the Exotic Newcastle Disease outbreak, carried out by the Animal and Plant Health Inspection Service (APHIS/USDA), were successful in the buffer states. (See MX3124)

The following table shows how the current AI and END regulations are affecting U.S. poultry and poultry products exports to Mexico.

REGULATIONS FOR POULTRY AND POULTRY PRODUCTS EXPORTS

Item	Raw Poultry for Retail ① CLQs.	Raw poultry Further Processing⑥	Fully Cooked Products	Table and Hatching Eggs	Three Day Old Chicks
END states export status②	NO	YES	YES	NO	NO
AI states export status③	NO	YES	YES	NO	NO
Required language on cleaning and disinfection of trucks	YES	YES	NO	YES	YES
Required sealing of trucks at point of origin	YES	YES	NO	YES	YES
Agar Gel test required	YES	NO	NO	YES④	YES④
New certification requirements on END⑤	YES	YES	YES	YES	YES
New labeling and export requirements	YES	YES	YES	YES	NO

N.A.- Does not apply

① SAGARPA temporarily suspended imports of bone-in chicken leg quarters for further processing because some importers declaring this product was undergoing further processing was in reality being diverted to local markets for direct consumption.

② The four states affected by END are: Texas, California, Nevada and Arizona. The ex-buffer states of Oregon, Idaho, Utah, Colorado and New Mexico can now export to Mexico complying with stringent testing END certifications. Except Texas, all END affected states are not eligible to store or consolidate raw product for direct human consumption or further processing. Restrictions should be lifted shortly in accordance with the terms of the safeguard agreement.

③ The eight states affected by low path AI are: Maine, Connecticut, Pennsylvania, West Virginia, Virginia, North Carolina, Texas and California. Restrictions should be lifted shortly in accordance with the terms of the safeguard agreement.

④ Test should be conducted on a quarterly basis.

⑤ Statement for meat, meat products and by products. -"That the product comes from flocks that have a 70 bird monitoring program which began after the age of 12 days, using viral isolation and velogenic strain identification tests and interbrain pathogenic index test in one-day old chicks; and is carried out on each lot entering a particular farm, obtaining Newcastle Disease velogenic presentation negative results."

⑥ Imports are only approved to proceed to Federal Inspected Plants (TIF) and non-TIF meat processing facilities. Meat processors/importers are also responsible of submitting a letter before SAGARPA indicating that all raw poultry ingredients will be subject to thermal treatment. (See reports MX 3002 & MX 3009)

For additional information regarding poultry meat and egg products exports to Mexico see the web page USDA/FSIS/Export Library at- http://www.fsis.usda.gov/OFO/export/Mexico.htm

Source: FAS, USAPEEC Mexico.

While the LPAI requirements (chiefly the Hemmoglutination Inhibition (HI) testing requirements) halted nearly all exports of raw chicken to the interior (exports to the border areas were exempt from the HI test) of Mexico from July 2002 through July 2003, exports of mechanically deboned meat (MDM) and poultry products for further processing were largely unaffected.

POLICY

No further changes from MX3117

MARKETING

Generic advertising campaigns have always been a good approach to increase domestic consumption of poultry products. For the last quarter of 2003, spots on TV & radio as well as advertisements on public open spaces were placed by UNA to promote chicken meat consumption. The main objective was to position poultry products as the most important food in Mexican households not just for the holiday season but for the entire year.

TURKEY MEAT

PRODUCTION

The forecast for turkey meat production for MY 2004 (Jan-Dec) remains unchanged at 14,400 MT. Production estimates for MY 2002 and MY 2003 were kept unchanged reflecting recent official data. Domestic turkey meat production represents less than 10 percent of total poultry meat consumption. The latest official data shows that 84 percent of the commercial production is produced in the Northern states of Chihuahua and Sonora.

CONSUMPTION

Consumption in MY 2004 is forecast to increase as processors increase their imports of turkey parts for further processing in response to the ban on beef imports. The consumption estimates for MY 2003 & MY 2002 were revised slightly downward based on the most recent industry information and trade data. Consumption of turkey in the form of cold cuts continues to increase, primarily through sales in supermarkets and deli-restaurants. Cooked hams made from blends of domestic pork and U.S. turkey thigh meat are substantially cheaper than pure pork cooked hams. Despite the usual domestic consumption patterns where most of the whole turkey demand is during the Christmas season, middle and high-level income consumers that frequent major national supermarket chain stores are shifting to the consumption of turkey meat added-value products, like hams and sausages. Average per capita consumption is estimated by UNA at 4.41 pounds for 2003 including whole turkey, turkey cuts and other turkey products.

TRADE

The forecast for turkey meat imports for MY 2004 was increased to reflect higher imports of turkey parts for further processing. Imports for MY 2002 & MY 2003 were revised downward based on official trade data as the animal health food regulations in place during that time slowed down imports on U.S. turkey products. The Mexican ban on Chilean poultry imports was lifted in June 2003 and, although Chilean poultry imports are duty free under the Mexico-Chile Free Trade Agreement, there was no significant increase in imports.

The United States continues to be the main supplier of turkey meat and products to Mexico. UNA indicated that imported parts and MDT for the last quarter of 2003 have been very successful.

MARKETING

No further changes from MX3117.